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10 OCT 1960

MEMORANDUM FOR: Deputy Comptroller

SUBJECT : Use of Pre-numbered Cash Receipts Forms at Field Stations

REFERENCES : (a) [REDACTED] Audit Report, 24 February 1959

25X1A6a (b) [REDACTED] Audit Report, 31 August 1958

(c) Memorandum from Chief, Finance Division,
11 September 1957

1. References propose the use of a pre-numbered cash receipts system to document receipts of cash into station funds, for use at field stations. The system provides for creation of an original and at least two copies of each receipt executed by a cashier. In use, the original is given to the payer for his retention. The first carbon copy is attached to the accounting voucher prepared to effect entry to the books of account. The second carbon copy becomes a permanent record of the receipt of funds.

2. This system is a refinement to basic cash receipt documents. In circumstances permitting full application, its value as a cash control mechanism has been well established through years of use in commerce and government.

3. The benefits of this system vary from ease in locating book-keeping errors, to the preclusion of rather elaborate attempts at manipulation and fraud, dependent upon the degree of physical control maintained over the forms themselves, both while they are in blank, and during and after use. A practical degree of control for this Agency must be determined before the advantages of the system can be fairly stated.

4. The classic advantages offered by the system require (1) a strict centralized control over the production and issuance of the receipt forms, and (2) internal controls to insure that a receipt is prepared for each transaction in which cash is paid to a cashier and that the integrity of the second carbon copy of the receipt be preserved through use of a receipt dispensing machine or other device whereby control and handling of that copy is restricted to persons other than those handling cash.

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5. The impracticality of such controls in this Agency's field stations is obvious in view of the number of our overseas installations, the varied space and cover conditions under which they operate, the necessarily thin staffing of overseas administrative sections, the distances between headquarters and its field stations, and the volume of record keeping necessary to a centralized issue and control system. Control and administration of such a system is practical for this Agency if maintained at the field station level, and we should consider adoption of the system based only upon those advantages obtainable in a station-controlled situation.

6. We shall assume a system to include pre-numbered cash receipt forms, providing for an original and at least two carbon copies, bound in such manner that the original and first copies can be torn from the book leaving the second copy intact. Forms would be procured by local open-market purchase, or furnished by area supply depots or TSD printing plants. Records of the receipt numbers, and physical control of the books while in blank, would be retained by a designated officer at the using station. In such circumstances we could anticipate these advantages:

a. The second copy of the receipt form would reduce the possibility of cash overages and other errors due to loss of the first copy of the receipt, and resultant failure to record the transaction on the station books.

b. The second copy would provide a source of quick reference through which bookkeeping errors might be located.

c. Persons making refunds or payments to station cashiers are often unable to retain their receipts indefinitely. The existence of the second copy of such receipt would afford them protection against claims arising from bookkeeping errors in recording the original transaction.

d. The pre-numbered receipt would reduce risk of possible theft of funds by the cashier. Under the system prevailing at many stations, only the original and one copy of an un-numbered receipt is prepared. In these circumstances, the cashier could, conceivably, destroy the copy of the receipt, pocket the funds, and make no entry on the books. No other record of the payment would exist to disclose the theft. The pre-numbering system in itself however, does not guarantee that a receipt will be executed for all cash received. In instances where funds are transmitted through the station courier system, there would be no certain check that a receipt was issued unless the person transmitting funds demanded a receipt.

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e. The existence of the second carbon copies, in bound numerical order, would permit a more thorough and rapid audit of cash receipts transactions than is now possible:

- (1) Such transactions, as evidenced by the copies of the receipts, could be quickly traced into the books of entry, thus proving agreement between the two records, or disclosing discrepancies. Unreported cash overages might, for example, be disclosed by this technique.
- (2) An audit inventory of blank, numbered receipts, held by the designated control officer, together with checks on the presence and correct numerical sequence of copies of used receipts, would tighten control of cash receipts transactions.

f. In some stations no receipt is issued by the cashier for payments and refunds made to him. As the pre-numbered receipt adds formality to the financial transaction and ties its recording directly into the books of account through cross-referencing, the system should result in more use of receipts and increased protection for all parties involved, including protection to the cashier in cases of dispute which might arise in connection with the disposition of funds.

7. Although we see no technical objection to the proposed system, there are problems of administration which must be considered:

a. In application, the system attaches the element of accountability to an administrative form and prescribes some degree of physical control over a form which may well be a shelf stock item. In some stations, informalities occasioned by the physical facilities, the division of duties among the personnel stationed there, and varied other factors may weaken internal control over the forms themselves.

b. The un-numbered cash receipts form presently used at most field stations, can be used to document both cash payments received by the station cashier, and to document disbursements made by case officers and others. The pre-numbered forms could not be used for other than cash receipts by the cashier. An additional cash receipt form, and attendant provisions for its procurement and storage, would be necessitated.

c. The pre-numbered system creates a copy of the cash receipt in addition to those prepared at most stations at present. Volume

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would not be substantial but provision would have to be made for the storage and scheduled destruction of these documents.

d. Inherent in the system would be a cross-referencing entry in the books to the cash receipt number. This creates another item of detail for entry to the books.

e. Some stations in remote areas may be unable to obtain pre-numbered receipts for use in this system. In those cases adjacent stations or area supply points would be requested to provide forms.

8. Summary

a. The proposed system is a refinement to existing basic cash control procedures. The controls and devices necessary to retain all of the classical audit and managerial advantages in the system are not necessarily practical of application to all the field installations of this Agency.

b. The advantages listed in paragraph 6 are those remaining in the system as it may be applied on a field controlled basis. The system may reasonably be expected to improve document control and to decrease errors in the finance sections of field stations, and to provide more protection to persons making refunds and payments into station funds as well as to fund custodians. It will also permit a more thorough and conclusive audit of cash transactions.

c. The system will create a new form, necessitating provision for its procurement and storage. One additional cross-referencing notation to the cash journal will be required.

9. Conclusion

a. Those advantages listed as a, b, c, and f in paragraph 6 are most desirable from the field viewpoint and will accrue in part or in whole regardless of the degree of control which may be exercised over the receipt forms. The effectiveness and value of this system would be increased if payors and payees insist upon documenting each transaction with a receipt. In addition, with control records maintained at field stations over receipt books available, the advantages listed in paragraph 6d and 6e would be accomplished at least to a desirable extent.

b. The installation of the system can be accomplished by merely obtaining the pre-numbered receipt forms. The operation of the system requires no appreciable additional work by the funds custodian.

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c. Supply and storage problems will be minimal as the volume of such forms used annually is light.

10. Recommendation

We recommend (a) that both the Class A and Class B finance handbooks be revised to prescribe the use of pre-numbered cash receipts forms, with optional use at Class B stations as determined by the Chief of Station or Base, and that controls over the procurement, stocking, issuance and use of these forms be established to the maximum extent practical in local circumstances, and (b) that with the issuance of such revision, all Finance Officers and funds custodians be reminded of regulations which require the issuance of a receipt for all such funds received.

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Chief, Technical Accounting Staff

CONCUR:

25X1A9a

U/A Chief, Finance Division

14 Oct 1960

Date

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Deputy Comptroller

18 Oct 60

Date